

Message Text

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PAGE 01 STATE 196840

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ORIGIN SS-25

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DRAFTED BY NEA/ARN:TJCAROLAN:PDW

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S/S:MTANNER

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DOD/OSD/ISA:COL. R. THOMPSON

T:AJORDAN (DRAFT)

L/PM:JMICHEL (DRAFT)

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

INFO AMEMBASSY AMMAN IMMEDIATE

S E C R E T STATE 196840

EXDIS, FOR AMBASSADOR

E.O. 11652: GDS

TAGS: PFOR MASS JO US SA

SUBJECT: JORDAN AIR DEFENSE

REF: JIDDA 5411

1. WHILE AWAITING SAG'S RESPONSE TO YOUR LATEST PRESENTATION ON THIS SUBJECT, WE HAVE BEEN GIVING FURTHER THOUGHT TO WAYS IN WHICH USG MIGHT ACCOMMODATE SAUDI WISHES FOR A REVISED PAYMENT SCHEDULE FOR JORDAN'S AIR DEFENSE PROGRAM AND STILL ADHERE TO OUR STATUTORY REQUIREMENT TO OBTAIN ADEQUATE FUNDS IN TIME TO PAY BILLS FALLING DUE UNDER THAT PROGRAM. WE ARE STILL UNABLE, AS NOTED PARA 2 STATE 185253, TO MAKE ANY SIGNIFICANT AMENDMENTS TO THE PAYMENT SCHEDULE WE ORIGINALLY PROPOSED TO THE SAG (PARA 1(D) STATE 177834), SINCE THIS WOULD CAUSE PAYMENT SHORT-FALLS AS HIGHLIGHTED

SECRET

SECRET

PAGE 02 STATE 196840

BELOW:

PAYMENT DATE	(US PAYMENT SCHEDULE)	(SCHEDULE DESIRED)	DEFICIT DEFICIT	CUMULATIVE
BY SAG)				

INITIAL (63.5) (63.5)
 31 DEC 76 (37.4) (37.4)
 31 MAR 77 (37.7) (39.1)

PAYMENT DATE	(US PAYMENT SCHEDULE)	(SCHEDULE DESIRED)	DEFICIT DEFICIT	COMULATIVE
BY SAG)				

30 JUN 77 (42.7) (100.0)
 30 SEP 77 (59.0) (--) .3 .3
 31 DEC 77 (55.7) (--) 55.7 56.0
 31 MAR 78 (54.0) (--) 54.0 110.0
 30 JUN 78 (43.5) (100.0) 43.5 53.5
 30 SEP 78 (46.4) (--) 46.4 99.9
 31 DEC 78 (20.5) (--) 20.5 120.4
 31 MAR 79 (9.6) (--) 9.6 130.0
 30 JUN 79 (19.9) (100.0) 19.9 49.9
 30 SEP 79 (20.7) (--) 20.7 70.6
 31 DEC 79 (7.7) (--) 7.7 78.3
 31 MAR 80 (6.2) (--) 6.2 84.5
 30 JUN 80 (5.6) (100.0)
 30 SEP 80 (4.9) (--)
 31 DEC 81 (3.4) (--)
 31 MAR 81 (1.4) (--)
 30 JUN 81 (.2) (--)

TOTALS: (540.0) (540.0)

2. AT SAME TIME, HOWEVER, WE HAVE REALIZED THAT IN A PROGRAM AS LARGE AS THE OVERALL SAUDI FMS PROGRAM, THERE ARE INSTANCES WHERE IMMEDIATE REQUIREMENTS TO PAY CONTRACTORS SLIP BECAUSE OF SCHEDULE OR CONTRACTING SLIPPAGES. TO THE EXTENT THAT SUCH INSTANCES EXIST, ADVANCE PAYMENTS RESULT IN AVAILABLE SAUDI CASH DEPOSITS EXCEEDING IMMEDIATE REQUIREMENTS. WE COULD TREAT ALL SAUDI PAYMENTS

SECRET

SECRET

PAGE 03 STATE 196840

FOR ALL FMS CASES AS A SINGLE ENTITY AND APPLY FUNDS TO MEET ANY U.S. CONTRACTOR BILLS FOR SAUDI PROGRAMS, AS WELL AS FOR JORDAN'S AIR DEFENSE PROGRAM, AS THEY COME DUE. THIS WOULD PROVIDE THE FLEXIBILITY IN APPLICATION OF FUNDS NECESSARY TO COVER SHORT-TERM DISCREPANCIES BETWEEN PROPOSED SAUDI PAYMENTS FOR JORDAN'S AIR DEFENSE PROGRAM UNDER PAYMENT SCHEDULE OUTLINED ABOVE AND THOSE PAYMENTS WHICH WE ESTIMATE WILL BE REQUIRED OF USG FOR CONTRACTS

UNDER THAT PROGRAM.

3. THIS METHOD OF APPLYING FUNDS WOULD ALLOW US TO RESOLVE THE JORDANIAN AIR DEFENSE FUNDING PROBLEM BY DRAWING (AS NECESSARY) ON AVAILABLE SAUDI FMS CASH DEPOSITS TO COVER PAYMENTS DUE UNDER JORDAN'S AIR DEFENSE PROGRAM UNTIL SAUDI PAYMENTS UNDER THAT PROGRAM "CATCH UP" TO CONTRACTOR REQUIREMENTS. WE ARE REQUIRED BY STATUTE, HOWEVER, TO COLLECT FUNDS FOR ALL FMS PROGRAMS PRIOR TO THE TIME WHEN WE MUST PAY CONTRACTORS. ALTHOUGH UNLIKELY,

UNDER PAYMENTS SCHEDULE DESCRIBED ABOVE, THERE COULD BE PERIODS OVER THE NEXT 2-3 YEARS WHEN TOTAL SAUDI CASH-ON-HAND WOULD NOT COVER ALL PAYMENTS DUE. WE THUS WOULD NEED SAUDI ASSURANCE THAT THEY WILL MAKE SPECIAL PAYMENTS AS NECESSARY TO COVER ANY SUCH SHORT-FALLS. OUR PAST EXPERIENCE INDICATES, HOWEVER, THAT WE PROBABLY CAN COVER THE PROJECTED SHORT-FALL IN THE JORDANIAN PROGRAM IN THE MANNER DESCRIBED ABOVE.

4. PURPOSE OF FOREGOING IS TO SHARE WITH YOU OUR THINKING ABOUT HOW WE WOULD RESPOND TO THE SAUDIS IF REPEAT IF THEY REACT NEGATIVELY TO YOUR LATEST PRESENTATION RE THE PAYMENT SCHEDULE. IF THIS HAPPENS, AND IF YOU BELIEVE TABLING THIS SUGGESTION WOULD RESOLVE THE PROBLEM, YOU ARE AUTHORIZED TO SUGGEST TO THEM ABOVE SCHEME WHEREBY: (A) SAG WOULD AGREE TO ADHERE TO THE PAYMENT SCHEDULE SET FORTH THIRD COLUMN PARA 1 ABOVE; (B) DOD MAY DRAW UPON FUNDS DEPOSITED BY SAG IN ITS FMS ACCOUNTS TO PAY ANY BILLS DUE UNDER VALID FMS CASES, INCLUDING THOSE CASES RELATING TO JORDAN'S AIR DEFENSE PROGRAM; AND (C) SAG WOULD DEPOSIT FUNDS UPON REQUEST IN THE UNLIKELY EVENT THAT ALL AVAILABLE FUNDS IN THE FMS ACCOUNTS ARE EXPENDED AND INSUFFICIENT FUNDS EXIST

SECRET

SECRET

PAGE 04 STATE 196840

TO PAY BILLS FALLING DUE UNDER THE JORDANIAN AIR DEFENSE PROGRAM.

5. IF IT SHOULD PROVE NECESSARY TO SUGGEST THIS ARRANGEMENT TO THE SAUDIS, YOU MAY ASSURE THEM THAT IF THEY ACCEPT IT WE WILL CONTINUE TO ACCOUNT FOR ALL SAUDI PAYMENTS AS THEY ARE RECEIVED AGAINST THE FMS CASES FOR WHICH THEY INTEND SUCH PAYMENTS TO BE MADE. THIS ACCOUNTING WOULD BE MADE REGARDLESS OF THE USE OF ANY SAUDI FMS BALANCES TO DEFRAY SHORT-TERM DEFICITS IN THE JORDANIAN AIR DEFENSE PROGRAM. HABIB

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